



STATE OF WASHINGTON

November 15, 2022

The Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office performance audit report, "WSDOT Toll Collection System Replacement Project." The Washington State Department of Transportation and Office of Financial Management worked together to provide this response.

WSDOT's back-office system and customer service operations are the backbone of the *Good To Go!* tolling program. These systems and services guide how we interact with our customers to provide them the best experience possible when paying for tolls in Washington state. When it came time to replace these systems and services as our previous contracts neared expiration, WSDOT's Toll Division welcomed the opportunity to make system improvements to benefit our customers in meaningful ways.

While WSDOT was not pleased with the delays in delivering this program, the launch of the new back-office system and customer service operations in July 2021 was a success. WSDOT and the Office of the Chief Information Officer worked hard to prioritize customer experience in our decision making. Ultimately, the decision to allow additional time for system development, testing and quality assurance was the correct one as the transition occurred with minimal impact to customers.

As the report points out, WSDOT's Toll Division followed state requirements, leading guidance and best practices throughout the procurement and implementation of the project. While the vendor's performance did lead to delays, WSDOT took steps to hold the vendor accountable and reduce delays where possible. We also communicated with our stakeholders about the delays and their associated costs.

Thank you for the opportunity to participate in this audit, which will assist us in our efforts to improve in this area. Please thank your team for their excellent work and collaborative and transparent approach throughout the audit.

Sincerely,

Roger Millar, PE, FASCE, FAICP
Secretary
Washington State Department of Transportation

David Schumacher
Director
Office of Financial Management

cc: Jamila Thomas, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Nick Streuli, Executive Director of Policy and Outreach, Office of the Governor
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Amy Scarton, Deputy Secretary, WSDOT
Julie Meredith, Assistant Secretary, WSDOT

OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON THE WSDOT TOLL COLLECTION SYSTEM REPLACEMENT PROJECT – NOVEMBER 15, 2022

The Washington State Department of Transportation (WSDOT) and Office of Financial Management (OFM) provide this management response to the State Auditor’s Office (SAO) performance audit report received on October 24, 2022.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO’s audit addressed three objectives:

- Did the Toll Division’s project planning process accurately identify critical needs and risks of the project before starting its procurement process?
 - Did the Toll Division’s procurement and vendor selection approach address its project needs and project risks?
 - Are there opportunities for the Toll Division to reduce risk and improve vendor accountability in its contract management and project oversight processes?
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Recommendations to the Washington State Department of Transportation:

SAO Recommendations 1-3

1. Ensure that during information technology vendor selection, the apparent successful vendor has demonstrated the ability to deliver the project following the software development approach the agency has selected.

STATE RESPONSE: During the procurement effort for the WSDOT back-office system, WSDOT asked those who submitted proposals to respond with a certification that their team could meet each of the requirements included in the Request for Proposals. The successful vendor, ETAN, included a certification that it could deliver the project using the required Waterfall Software Development Method. ETAN also indicated in its proposal that it would deliver all the required system development documentation in the manner required by the contract, and the specified documentation would be delivered and approved by WSDOT prior to ETAN moving on to the next step in each process.

As stated in this audit, once the project had been awarded to ETAN, it was clear to the WSDOT project management team that the ETAN team would struggle to deliver the project using the required software development methodology. In response, WSDOT worked with ETAN to agree on a hybrid methodology that would allow for a continual process of documentation and revision throughout the development process. While this hybrid methodology proved to be successful in allowing the project to progress toward completion, ETAN’s performance resulted in significant schedule delays.

WSDOT agrees to explore additional steps in its procurement process that may bring this issue to light sooner in future procurements. For example, procurement documents could require vendors to indicate in their proposal what software development methodology was used in each project reference, or we could ask vendor references specific questions regarding software development methods. This approach may help guide procurement and early project efforts.

2. Develop a process to evaluate the benefits of requiring an information technology vendor’s project manager to be on-site or allowing remote work against the risk of the vendor not being able to fill the position.

STATE RESPONSE: WSDOT agrees with this recommendation. In 2016, when the contract and procurement documents were developed, it was a best practice to require that the project manager be “on site” for the duration of the project development and implementation efforts. More modern business practices and technology allow for effective remote work and coordination, and the risks and benefits of each approach should be evaluated for future procurements.

3. For projects determined to be high risk by the Office of the Chief Information Officer, require that information technology vendors identify a contingency plan in their proposals that mitigates risk of turnover in key project management positions.

STATE RESPONSE: Retention of key personnel is a challenge for all project teams, especially given the current hiring and recruiting environment. WSDOT agrees that asking vendors to provide an approach to handling turnover in key project management positions and including that approach in the evaluation of the vendor would provide some mitigation for this risk.

Action Steps and Time Frame for SAO Recommendations 1-3:

- Consider SAO’s recommendations, or an appropriate alternative, as best practices in guidance provided by the WSDOT Enterprise Technology Project Management Office. *By June 30, 2023.*
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SAO Recommendation 4: Add to an existing reporting method, or work with the Office of the Chief Information Officer and Office of Financial Management to develop a public cost reporting method, to show all project costs for Toll Division projects. Reporting all costs for the project will demonstrate transparent government.

STATE RESPONSE: Throughout the implementation of the WSDOT back-office system and customer service replacement projects, WSDOT communicated with stakeholders at regular intervals. This included regular coordination and status of project delivery, delays and their associated costs to the OCIO, OFM, the Governor’s Office and the Legislature.

WSDOT also worked collaboratively with both OFM and OCIO to develop a cost reporting method that would allow for project costs to be reported through OCIO’s Washington State Information Technology Project Dashboard. Since this project was comprised of both a large IT project (the back-office system replacement) and a smaller professional services contract (the customer service replacement project), decisions were made in coordination with OCIO to exclude some “customer service” costs, that were not related to the IT project, in the cost reporting on OCIO’s Project Dashboard. However, as explained above, the customer service delay costs were communicated to stakeholders at regular intervals.

WSDOT agrees that for future projects under the oversight of the OCIO, the reporting methodology should ensure that all project costs are reported to demonstrate transparency.

Action Steps and Time Frame:

- WSDOT will work with the OCIO to provide additional information on the existing OCIO Project Dashboard, noting that the reported delay costs represent only the costs associated with the Back Office Replacement Project. *By January 31, 2023.*
- WSDOT will work with the OCIO on a methodology to report total project costs for future projects under OCIO oversight. This best practice will be incorporated into guidance provided by the WSDOT Enterprise Technology Project Management Office. *By June 30, 2023.*